

Budgetary Slack and Use in Indonesia: ‘Participation on Budget’ and ‘Budget Emphasis’ as Mediation Variables.

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This study aims to determine the relationship between budget usage and budgetary slack with the participation of budgets and budget emphasis as mediation variables. We used samples of government apparatus working on 61 Regional Working Unit (RWU) in the city of Surabaya. This study was conducted with a questionnaire dissemination model to the apparatus RWU of the Surabaya government. We tested the hypothesis using the Partial Least Square method with the software Warp PLS Version 5.0. The results in this study found that the aim of budget usage has a negative relationship to budgetary slack. Furthermore, we documented participation in the budget and budget emphasis can mediate the relationship between the aims of budget usage to budgetary slack. The results of this study can be used in a consideration for the regional government in determining the factors that can affect the budgetary slack and can be used in an evaluation for the system of budget participation that has been implemented in the organisation, especially in RWU.

Key words: *Aim of budget usage, budgetary slack, participation in budget, budget emphasis.*

Introduction

Prevailing regional autonomy and decentralisation in Indonesia resulted in vertical accountability. The central government has changed to horizontal accountability in society through the Regional House of Representatives (RHS). Since then, the regional government's budget has become an essential tool because the management of local government accountability and the local government budget are inseparable. The pressure to achieve the budget target create political interests and opportunistic behaviours in the Regional Working

Unit (RWU), which in the process are often found dysfunctional during the drafting of a budget (Abdullah et al., 2012; Halim & Abdullah, 2008; Ningsih, 2012). An example of a dysfunctional process is budgetary slack). These dysfunctional processes that suggest activities that are not a priority, are proposals that have the opportunity to obtain substantial personal gains.

Budgetary slack is the difference between the stated budget and the best estimate that should be predictable (Sijabat, 2016). Hansen and Van der Stede (2004) reveal that the budgetary slack appears when a manager deliberately estimates low income or raises costs so that it increases the chances of the manager reaching the budget and will certainly minimise the risk that managers will face. The budgetary slack is a substantial and continuously occurring phenomenon in some areas of Indonesia. For example, RHS data of Badung Regency, Bali, in 2014 to 2016, found the difference in revenue and shopping realisation experienced a significant surplus of 183,821 billion Rupiahs, 288,495 billion Rupiahs, and 166,125 billion Rupiahs, respectively. This phenomenon refers to the situation where the budget target is deliberately made easier to achieve. After all, when the budget target is reached, then the performance of the government apparatus is considered exceptional.

Budgetary slack practices can be minimised by setting appropriate aims for budget usage. Locke and Latham (2002) concluded that the existence of more specific objectives would induce better performance from an individual. This conclusion is derived from the goal-setting theory. To be more optimal, the budget target level should be related to the purpose of the budget usage (Schoute & Wiersma, 2011; Barret & Fraser, 1977; Hansen & Van der Stede, 2004). Therefore, the budgetary slack can be minimised if the aims of the budget usage are more explicit and more planned. In turn, it will provide the steps that can be taken, according to the value and priority, to facilitate the apparatus to reach the budget target. Thus making it easier to achieve even higher levels of budget targets. Many studies have found that budgets become more optimal if their level of achievement is between 25% and 40% (Merchat & Van der Stede, 2007). The achievement rate of the budget target occurs when the budget is used more for evaluation and appreciation purposes. Based on prior studies (see Anthony & Govindarajan, 2007; Schoute & Wiersma, 2011), there are other factors found to influence the budgetary slack, including 'participation on budget' and 'budget emphasis', which are considered mechanisms that the company can use to reduce the level of budgetary slack.

Budget participation from individuals within the company can reduce the budget because participation on budget-making increases the level of information sharing between top management and business unit managers, which can improve the accuracy of the budget estimation (Onsi, 1973; Cammann, 1976; Magner et al., 1996). Participation from individuals in the budget-making process can also increase the individual's commitment to achieving the

budget target. A sense of responsibility may form through their participation in the budget drafting process (Parker & Kyj, 2006). Schoute and Wiersma (2011) found that participation on budget formation mediated the negative relationship between the aims of budget usage to the budgetary slack when coordination and allocation purposes were applied. Further, budget emphasis can reduce budgetary slack because RWU head staff participating in the budgeting process have more information. This leads to supervision over budgetary preparation, and a better quality budget is made in the drafting process. It also creates positive communication between head staff and other staff. The employees experience less budget pressure in relation to budgetary slack, and avoiding subordinates have budgetary slack practices (Irfan et al., 2016; Merchant, 1985; Onsi, 1973; Dunk, 1993). The RWU head staff develop a negative reputation when there is a large difference between the budgetary plan and the realisation of a large number of budgets each year (Van der Stede, 2001; Webb, 2002). Thus, the budget emphasis mediates the negative relationship between the aims of budget usage to budgetary slack. A more positive relationship occurs when the budget is put through planning and communication procedures (Schoute & Wiersma, 2011).

This study examines the relationship between the aims of budget usage to budgetary slack with the participation of budgets and budget emphasis as mediation variables. This study uses samples of government apparatus that work on 61 (RWU) in the city of Surabaya. There was a model dissemination of questionnaires to all the apparatus on the RWU of the Surabaya government. We employed Partial Least Square to test our hypothesis in this study. The results in the study found that budget usage had a negative relationship to budgetary slack. Furthermore, we documented that participation in budget formation, and budget emphasis, mediated the relationship between the aims of budget usage to budgetary slack. The results of this study provide several potential contributions. Firstly, it can add literature related to public sector accounting to the academic record specifically in relation to explaining the relationship between the aims of budget usage, budgetary slack, participation on the budget, and budget emphasis. The results of this research are useful for consideration by local governments for determining factors that can influence the budgetary slack. Further, this study can be used as an evaluation for the system of participation on the budget that has been implemented in the organisation, especially in RWU.

The rest of this paper is organised as follows: Section 2 contains the explanation of the research hypothesis and development; Section 3 is the explanation of the research variables, sample, and model; Section 4 discusses empirical analysis and the hypothesis test results, and Section 5 holds concluding remarks, including suggestions for future studies.

Literature Review

Relationship between Aims of Budget Usage to Budgetary Slack

Based on the goal-setting theory, individuals with predetermined goals achieve maximum results compared to individuals who do not have predetermined goals (Locke & Latham, 2006). This relationship exists because there is a connection between the goals set and the individual's performance. The goal has been set as a motivational technique and will increase the productivity and performance toward achieving that goal (Borman et al., 2003; Mooney & Mutrie, 2000). It is therefore vital that there is goal setting for budget usage because the objectives set will motivate the apparatus to improve its performance and achieve that goal. In line with this theory, the budget can be used optimally and it can be easier to reach the budget target (Irmawati, 2004). The motivation of the apparatus will also encourage the apparatus to provide more supervision to the budget, including when the budget is compiled so that it can minimise the occurrence of budgetary slack. Setting the aims of the budget usage can also prevent budgetary slack, when reducing budgetary slack is the target or aim (Barret & Fraser, 1977; Merchant & Manzoni, 1989; Merchant & Van der Stede, 2007).

Schoute and Wiersma (2011) suggest that the budget used for planning and communication purposes has a negative relationship to the budgetary slack. The other objectives are coordination and allocation, have a weaker relationship, and lastly for evaluation and appreciation purposes. The results of the study were consistent with the findings of Merchant and Manzoni (1989), who argued that firms often set their business unit budget targets at relatively easy levels, for budget use and planning, communication, coordination, and allocation. However, based on the Goal-setting theory, it is argued that the budget target should be set at a relatively tricky level when the budget is used for evaluation and appreciation purposes. The more difficult and specific a goal is, the higher the motivation, and the better the individual performance to achieve that goal, so it can be easier to avoid the occurrence of budgetary slack (Schoute & Wiersma, 2011; Halim & Abdullah, 2008; Anthony & Govindarajan, 2007). Based on these descriptions, the proposed hypothesis is:

H1: The aims of budget usage have a negative relationship to budgetary slack.

Relationship between Aims of Budget Usage to Budgetary Slack as Participation in Budget as Mediation Variable

Goal setting is used as a motivational technique to improve productivity and performance in an achievement-oriented aspect such as in education, work, and sports (Mooney & Mutrie, 2000). It is, therefore, vital that there is goal setting from the budget usage because the objectives set will motivate the apparatus to improve its performance and to achieve its goal,

so that the budget can be used optimally and achieve the budget target (Kurose, 2013; Asir et al., 2019). In regards to the aim of the budget, usage can be achieved to the fullest. It needs the budget to be accurately drafted and it needs the commitment of all government apparatus through its participation in the preparation of the budget (McMahon et al., 2005; Anthony & Govindarajan, 2007). Besides, good governance is also necessary to enhance the established objectives (Harymawan et al., 2019; Larasati et al., 2019). The involvement of apparatus from all governmental lines in the process of budgeting makes apparatus feel appreciated. This appreciation may make apparatus increase their commitment and performance in order to achieve the budget target. As a form of achievement of objectives and responsibilities for their participation, so that the participation on a budget can prevent the budgetary slack (Junita et al., 2018; Erlina & Muda, 2017; Umar et al., 2019). Sudaryati and Mohamed (2017) explained that competence, organisational commitment, and professionalism of the apparatus that could increase the readiness of budget implementation. As Locke and Latham (1990) put forth, that aim is a direct regulator of human action.

Dunk (1993) shows that participation on a budget can reduce budgetary slack. This is because subordinates help provide appropriate information based on the needs of each organisation line so that the budget is drafted to be more accurate. Parker and Kyj (2006) also document the negative relationship of participation on budget to budgetary slack, as such participation can increase the commitment of business unit managers to reach their budget targets. Schoute and Wiersma (2011) also stated that more participation on budget had mediated the relationship between aims of budget usage for coordination and allocation to budgetary slack, then followed by the budgetary usage aim for planning and communication, and lastly, for evaluation and appreciation. Thus, the proposed hypothesis is:

H2: Participation on budget mediates the relationship between aims of budget usage to budgetary slack.

Relationship between Aims of Budget Usage to Budgetary Slack with Budget Emphasis as Mediation Variable

Kurose (2013) suggests that individual objectives describe the relationships that motivate behaviour as well as improve performance. The determination of the usage of budget aims makes the budget a vital tool that relates to the organisational control system. The aims of budget usage can be achieved optimally if all of the government apparatus takes the commitment (Dunk, 1993). One example is measuring the performance based on budget target achievement.

Budget emphasis can also reduce the practices of budgetary slack because RWU heads participating in the budgeting process have better information than subordinates, making

supervision over budget drafting, and implementation more effective and efficient. It also creates constructive communication between superiors and subordinates so that subordinates feel less pressure to make a budgetary slack, thus avoiding subordinates tending to budgetary slack (Irfan et al., 2016; Merchant, 1985; Onsi, 1973). Van der Stede (2001) and Webb (2002) revealed that an emphasis on budget could reduce budgetary slack due to adverse reputation effects when the vast difference between the plan and the realisation of budgets per year was found, indicating that the apparatus performs a budgetary slack. Budget emphasis is a front-line manager evaluative tool that is mainly concerned the size of accounting performance. Emphasis budget can affect the behaviour of front-line managers in the form of both positive and negative behaviour. Schoute and Wiersma (2011) also stated that budget emphasis mediates the relationship between the aims of budget usage for planning and communication to budgetary slack. It followed with the aims of budget usage for coordination and allocation and, lastly, aims for evaluation and appreciation. The following hypothesis on the mediation of budget emphasises the relationship between the aims of budget usage and budgetary slack:

H3: Budget emphasis mediates the relationship of the aims of budget usage to budgetary slack.

Research Methodology

Sample and Data Source

The population in this research is from the financial manager in the Regional Working Unit (RWU) of Surabaya. The number of RWU non-urban villageers in the city of Surabaya is 61 organisations consisting of 1 regional secretariat, 1 Regional House of Representative (RHR) secretariat, 1 regional inspectorate, 21 departments, 1 municipal police, 5 regional agencies, and 31 sub-districts. The sampling techniques used in this study are the saturated sample methods that were using the entire population, namely the financial manager of the RWU non-urban village of Surabaya, which participated actively in the budget drafting team and has responsibility for the achievement result of budget realization.

Data collection is done directly with the research instrument in the form of a questionnaire. The questionnaire was distributed to respondents with a list of questions relating to the aims of budget usage, budgetary slack, participation in budget, and budget emphasis. The number of questions set up for each variable differs from one another. After the data collected, the analysis method was conducted to test the hypothesis by using Partial Least Square with the software Warp PLS 5.0.

The submission of a questionnaire to the respondent is within a three-month time frame as in accordance with the letter permission for research issued by the local government of Surabaya, which is from 12 March to 25 March 2019. The questionnaire was spread over 122 copies, consisting of 2 questionnaires for the 61 RWU that were intended in the Surabaya's local government environment. Table 1 serves on questionnaires that have been disseminated, returning questionnaires, and who are eligible to be processed. Up to when the deadline had been given, 106 questionnaires were returned from the 116 questionnaires that had been disseminated (91.38%). From all the questionnaires returned, they are all eligible to become research data.

Table 1: Questionnaires Data Gathering Process Description

Description	Amount	Percentage
Distributed questionnaires	116	100%
Returned questionnaires	106	91,38%
Not eligible questionnaires	0	0%
Valid questionnaires	106	100%

Operationalisation Variable

Independent Variable

The independent variable in this study is the aims of budget usage measured by nine indicators adopted from Schoute and Wiersma (2011), namely: planning, communication, coordination activity, evaluation activity, manager motivation, manager evaluation, manager award (rewarding), resource allocation, and authorisation discharge. This instrument uses a scale of the interval measurement with a Likert scale, starting from point 1 (strongly disagree) to point 5 (very agreed), meaning that point 1 describes a low level of the aims of budget usage and point 5 illustrates a high level of the aims of budget usage.

Dependent Variable

The dependent variables in the study were budgetary slack, measured with six indicators adopted from Dunk (1993), namely: Standards set in the budget to drive high productivity, the wellness of budget target can be achieved, the accuracy in monitoring the incurred expenditures, the level of budget pressure, the level of efficiency in achieving the budget target, and the difficulty level of achieving the budget target. The instrument uses a Likert-scale interval measurement scale, starting from point 1 (strongly disagree) to point 5 (very concur), meaning that point 1 is describing a low level of budgetary slack, and point 5 illustrates a high level of budgetary slack.

Mediation Variable

The mediation variables used in this study are participation in budget and budget emphasis. Participation on the budget was measured by six indicators adopted from Milani (1975), namely: Participation in budgeting, reasonable budget revisions, frequency giving opinions or proposals on the budget, providing vital proposals, the importance of the proposal from subordinates, and the opinion asked by the supervisor in the budgeting process. This instrument uses a scale of the interval measurement with a Likert scale, starting from point 1 (strongly disagree) to point 5 (very agreed), meaning that point 1 represents low participation on budget, and point 5 illustrates high participation on budget.

While budget emphasis was measured with seven indicators adopted from Van der Stede (2000), namely: Pressure of achievement from budget target, performance assessment is mainly based on achieving budget target, performance surveillance tool in achieving the budget target tool to measure the success of performance, the relationship between budget target achievement failure rate and employee performance assessment by superiors, employee promotion prospect depending on success reaching the budget target reflection of poor performance, if it fails to reach the budget target. This instrument uses a scale of the interval measurement with a Likert scale, starting from point 1 (strongly disagree) until point 5 (very agreed), meaning that point 1 describes the low level of budget emphasis, and point 5 represents the high level of emphasis budget.

Analysis Model and Hypothesis Test

The study uses a Structural Equation Model (SEM) model with a Partial Least Square (PLS) analysis model to test the relationship between aims of budget usage to budgetary slack with participation on budget and budget emphasis as a mediation variable. The test of PLS analysis is using the supporting software WarpPLS 5.0 for Windows.

Result and Discussion

Respondent Profile

Table 2: Sample Demographic

	N	%
Position		
Secretary/Treasurer	10	9.43%
Financial officer	38	35.85%
Financial staff	58	54.72%
Work Tenure		
≤ 5 years	19	27.36%
6-10 years	22	20.75%
11-15 years	29	17.92%
>15 years	36	33.96%
Educational background		
Senior high school	17	16.04%
Diploma	5	4.72%
Undergraduate	69	65.09%
Master or Doctoral	15	14.15%
Age		
≤ 25 years	15	14.15%
26-35 years	18	16.98%
36-45 years	32	30.19%
>45 years	41	38.68%
Gender		
Male	38	35.85%
Female	68	64.15%

Table 2 provides a description of the respondent's demographic statistics, which describes the percentage of respondents based on position classification, gender, educational background, age, and work tenure. Descriptive data explain the condition of respondents as additional information to provide better knowledge for comprehending the results of the study.

The Reliability, Factor Analysis, and Average Value

Table 3 shows the mean value of respondent's responses to items that measure the aims of budget usage, budget participation, budget emphasis, and budgetary slack.

Table 3: Average Value of Each Item

Items	Mean Value
The aims of budget usage	
A budget is useful as a planning tool for operational activities in my organisation	3.59
A budget is useful for communicating the strategy and/or objectives of the organisation to all the government apparatus in my organisation	3.62
A budget is useful to coordinate the activities of all divisions in my organisation	3.40
A budget is useful to evaluate the outcome of the budget target in my organisation	3.69
A budget is useful to motivate to achieve good performance in my organisation	3.92
A budget is useful for evaluating performance in my organisation	3.70
A budget is useful for providing rewards when achieving a budget target in my organisation	3.78
A budget is useful to allocate resources between divisions in my organisation	3.81
A budget is useful as a tool to authorise the amount of money coming out (expenditures) in my organisation	3.11
Budgetary Slack	
Standards set in the budget drove me to increase productivity to reach the budget target	2.61
A predefined budget target can be easily reached	2.25
I carefully monitor spending or expenditure for each activity due to budget constraints	2.37
I feel the pressure of achieving budget targets	2.70
Budget target is determined based on my ability to reach it	2.88
I find it difficult to reach my budget target	3.18
Participation on Budget	
I participated in budget drafting process	3.61
I received reasoning from the superiors of the revised budget	3.61
I often give opinions or proposals in drafting budgets	3.07
I feel the proposal from me has an influence on budget final determination	3.28
I feel you have a significant contribution in budgeting	3.89
I feel that my supervisors are doing a related discussion in drafting a budget	2.86
Budget Emphasis	
My supervisors once reminded me to achieve the budget target	3.28
Budget is used as my performance proxy in the organisation	3.24
Budgets are used to monitor my performance in the organisation	3.12

If my supervisors is able to achieve the budget target it reflects his/her subordinates success	3.33
Not achieving a budget target has a strong impact on my performance assessment	3.48
Job promotion prospects depend on my success at achieving my budget target	3.08
Not achieving a budget target reflects my poor performance	3.49

Table 4 provides the result of factors analysis, reliability coefficient, outer loading, and AVE values. Variable reliability testing is using composite reliability techniques. To determine whether the measuring instrument is reliable or not is done through the reliability coefficient with the value of the coefficient of reliability greater than 0.7. It can be concluded that all variables in this study were reliable and faithful and could be used in further analysis.

According to the results obtained, several proxies have an outer loading factor value of less than 0.5, namely TA9, PA5, PA6, BE5, BE6, BE7. From these results, it can be concluded that there is a variable indicator on the aim of budget usage, participation on budget, and budget emphasis to be eliminated. To obtain optimal results, proxies that cannot reflect the predefined variables are eliminated and are recalculated over the outer loading value. After the recalculation is obtained, the entire proxy has an outer loading factor value greater than 0.5. It can be concluded that the entire indicator is feasible to be an indicator that can reflect each of the corresponding variables.

The measurement of discriminant validity is comparing the square root value of the Average Variance Extracted (AVE) of each construct by the correlation between the other variables in the model. The minimum requirement of AVE values must be greater than 0.5. In Table 4 it shows that the AVE value of each of the variables is more than 0.5, so it can be concluded that the variables used are valid based on the AVE test.

Table 4: The Result of Factor Analysis, Reliability Analysis, Outer Loading Value, and AVE

Variable	Indicator	Outer Loading	AVE	Reliability	Conclusion
Aims of Budget Usage	TA1	0.573	0.595	0.920	Significant
	TA2	0.611			Significant
	TA3	0.676			Significant
	TA4	0.845			Significant
	TA5	0.820			Significant
	TA6	0.870			Significant
	TA7	0.857			Significant
	TA8	0.853			Significant
Budgetary Slack	BS1	0.842	0.617	0.905	Significant
	BS2	0.634			Significant
	BS3	0.782			Significant
	BS4	0.886			Significant
	BS5	0.829			Significant
	BS6	0.712			Significant
Participation on Budget	PA1	0.874	0.790	0.938	Significant
	PA2	0.894			Significant
	PA3	0.897			Significant
	PA4	0.889			Significant
Budget Emphasis	BE1	0.758	0.523	0.814	Significant
	BE2	0.693			Significant
	BE3	0.694			Significant
	BE4	0.745			Significant

Main Analysis

Hypothesis testing was conducted by calculating the p value using a partial least square model of 5% significance. Based on the results in Table 5, it can be concluded that the aims of budget usage, participation on budget, and budget emphasis are negative and statistically significant to budgetary slack. Table 5 also shows that the aims of budget usage has a positive and significant relationship to participation on budget and budget emphasis. It can be seen from the p values of < 0.05 . The negative value of the original sample shows the negative relationship between the aims of budget usage, participation on budget, and budget emphasis to budgetary slack.

Additionally, in Table 5 it can also be seen that the aims of budget usage have positive and statistically significant relationships to participation on budget and budget emphasis. This can be seen from the p values of < 0.05 . The positive value of the original sample shows the

direct relationship between the aims of budget usage to participation on budget and budget emphasis.

Table 5: T-statistic Test Result

Relationship between Variables	Original Sample (O)	p-values
Aims of Budget Usage → Budgetary Slack	-0.265	0.002
Participation on Budget → Budgetary Slack	-0.311	<0.001
Budget Emphasis → Budgetary Slack	-0.260	0.003
Aims of Budget Usage → Participation on Budget	0.397	<0.001
Aims of Budget Usage → Budget Emphasis	0.269	0.002

Based on the results in Table 5, the aims of budget usage have a negative relationship to the budgetary slack. The establishment of effective budget usage aims in the early process of drafting makes it easier to focus the apparatus on its mission to reach the budget target. The higher focus of the apparatus as setting the aims of budget usage, in the beginning, clarifies the budget to be used for particular needs so that the budget usage can be used more optimally. Thus, at the end, when the budget usage can be optimal, the apparatus can more easily achieve the budget target, and at the same, the apparatus has performed better. An additional result is of when the apparatus focuses to achieve the budget target. That apparatus will give more control over the budget realisation and supervise the beginning of the budget drafting process up to the realisation of the budget; therefore, the budgetary slack can be minimized.

Furthermore, the test of an indirect relationship is done simultaneously with the triangle PLS-SEM Model to determine the effect of the mediation variables. Based on the results in table 6, it is inferred that the participation on the budget is a variable that can mediate the relationship between the aims of budget usage to budgetary slack. It can be seen based on the VAF value within 20%-80%. This result indicates that the second hypothesis that states participation on budget mediates the relationship between the aims of budget usage to budgetary slack is statistically proven.

Table 6: The Indirect Relationship Test Result (VAF)

Relationship between Variable	Direct Relationship Coefficient	Indirect Relationship Coefficient	VAF	Conclusion
Aims of Budget Usage → Budgetary Slack	$\beta_1 -0.265$			
Aims of Budget Usage → Participation on Budget	$\beta_2 0.397$			
Participation on Budget → Budgetary Slack	$\beta_3 -0.311$			
Aims of Budget Usage → Participation on Budget → Budgetary Slack		$\beta_2 \beta_3$ $0.397 \times -$ $0.311 = -$ 0.123	$\frac{-0,123}{(-0,265 + (-0,123))}$ $= 0.317$ $= 31.7\%$	<i>Partial Mediation</i>

The results of the study in Table 6 showed that participation in budget mediates the relationship between the aims of budget usage and budgetary slack in the RWU non-urban village of Surabaya. This is derived from the positive relationship between the aims of budget usage to participation on budget, because the aims of budget usage can be achieved optimally with an accurate budget and commitment from all government apparatus through its participation in budgeting. There is a negative relationship between participation on budget to budgetary slack because the participation of subordinates helps to provide appropriate information based on the needs of each organisational line, so that the budget becomes more accurate. Besides, as a form of responsibility for their participation in budgeting, the apparatus is providing more control over the budget so that the budgetary slack can be minimized.

Table 7: Indirect Relationship (VAF) Test Result with Budget Emphasis as Mediation Variable

Relationship between variables	Direct Coefficient	Indirect Coefficient	VAF	Conclusion
Aims of Budget Usage → Budgetary Slack	$\beta_1 -0.265$			
Aims of Budget Usage → Budget Emphasis	$\beta_2 0.269$			
Budget Emphasis → Budgetary Slack	$\beta_3 -0.260$			
Aims of Budget Usage → Budget Emphasis → Budgetary Slack		$\beta_2 \beta_3$ 0.269 x - 0.260 = - 0.06994	$\frac{-0,06994}{(-0,265 + (-0,06994))}$ = 0.2088 = 20.88%	<i>Partial Mediation</i>

Furthermore, the results of this study showed that the budget emphasis mediates the relationship between the aims of budget usage and budgetary slack in the RWU non-urban village of Surabaya. The settlement of the aims of budget usage makes the budget a vital tool in the organisational control system. In order to achieve the aims of the budget, usage can be achieved optimally. It takes the commitment of all government apparatus; one of them is performance-based on achieving budget emphasis. Existing budget emphasis can reduce the budget gap, because the apparatus that participates in budgeting has better information than subordinates, making supervision on the budget preparation better. Effective and efficient budget emphasis also generates constructive communication between superiors and subordinates so that subordinates feel less budget pressure to make budgetary slack, thus avoiding subordinates tending to budgetary slack.

Conclusion

This research aims to examine the relationship between aims of budget usage to budgetary slack with the participation on budget and budget emphasis as the mediation variable in the Regional Working Unit (RWU) in the city of Surabaya. The results of the study showed that the aims of the budget usage have a negative relationship to budgetary slack. The establishment of effective aims of budget usage, in the beginning, makes the apparatus easier to focus its mission to reach the budget target, so that the budget can be used more optimally. The results of this study also showed that participation on budget and budget emphasis could mediate the relationship between the aims of budget usage and budgetary slack. This relationship indicates that for the aims of budget usage to be achieved optimally, it takes an accurate budget and the commitment of all government apparatus through its participation in



the preparation of the budget. Besides, performance measurements based on the achievement of budget emphasis can also create optimal aims for the budget.

This research can provide information for the RWU to outline the implications and lower the budgetary slack level, where the budget target is set at a manageable level so that it can reduce fraud in the budgeting practice. Then, the high level of participation on a budget should be balanced with the selection of appropriate depth, scope, and the weight of participation, as well as the proper legitimacy so that dysfunctional results such as budgetary slack can be minimized.

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